USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.09

Voluntary Report - public distribution

Date: 3/12/2004

GAIN Report Number: AU4008

Austria

Trade Policy Monitoring

CAP Reform - Austria's Decoupling Approach and Impact

2004

Approved by:
Sarah Hanson
U.S. Embassy

Prepared by:
Dr. Roswitha Krautgartner

Report Highlights:
Austria has opted for early decoupling of farm subsidies from production and will apply the 'full' approach to crops while maintaining an aid/output link for the beef sector. The new system will be implemented on January 1, 2005. A recent study conducted by the Austrian Federal Institute of Agricultural Economics cites a decrease of total gross margins for Austrian average farms from 0.7 % to 3.6 % after implementation of Austria's CAP reform measures.

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
Vienna [AU1]
[AU]

Key elements of the CAP reform, which was adopted by the EU agriculture ministers on June 26, 2003, are the introduction of a single payment scheme for EU farmers (decoupling), a reduction of direct payments (modulation) and a corresponding increase in the budget for rural development policies, and the linkage of payments to compliance with environmental, food safety and animal welfare standards (cross compliance).

Austria is taking up one of the flexibility options built into the reform agreement - intended to prevent decline and depopulation in rural areas with fragile economies focused sharply on farming.

Austria has opted for early decoupling of farm subsidies from production and will apply the 'full' approach to crops while maintaining an aid/output link for the beef sector.

Austria will integrate all crop payments into the Single Farm Payment (SFP) defined by last summer's deal on CAP reform, but will keep 100% of the suckler cow premium and 40% of the slaughter premium coupled to production.

However, it will implement the new system on January 1, 2005, turning down the chance to delay for up to two years. Technical work will now get underway to ensure a smooth transition from existing arrangements.

The decisions taken would ensure a "balanced" agricultural regime in Austria, Austrian agriculture minister Pröll claimed.

A recent study conducted by the Austrian Federal Institute of Agricultural Economics analyzes the possible impacts of the new farm policy on agricultural enterprises in Austria. The study examines the economics of different scenarios of farm adjustments under the new conditions for nine modeled farms, which represent common farm sizes and production systems in Austria.

Without major adaptations, the model came up with slightly reduced gross margins for all nine farms after CAP-reform, mainly due to the reduction of producer prices and the modulation of payments. The decrease of total gross margins in the study amounts from 0.7 % to 3.6 %.